

Message Text

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C O N F I D E N T I A L OTTAWA 2944

E.O. 11652: GDS

TAGS: PINT, CA

SUBJ: FEDERAL-PROVINCIAL MEETING ON KITIMAT OIL PORT
PROPOSAL

1. SUMMARY. PROPOSAL FOR TANKER TERMINAL AT KITIMAT AND PIPELINE THENCE TO EDMONTON BEING STUDIED BY CANADIAN FEDERAL AND PROVINCIAL AUTHORITIES. GOC OFFICIAL SUGGESTS POSSIBLE LINK BETWEEN PROPOSAL AND LIMITATION ON PUGET SOUND TANKER TRAFFICE. END SUMMARY.

2. ENVIRONMENT CANADA OFFICIAL RAY ROBINSON HAS INFORMED POLCOUNS THAT MEETING OF FEDERAL AND BRITISH COLUMBIA PROVINCIAL OFFICIALS TOOK PLACE MID-JULY IN VICTORIA FOR DISCUSSION OF PROPOSAL BY TRANS MOUNTAIN PIPELINE COMPANY TO BUILD AN OIL TERMINAL AT KITIMAT, B.C. AND PIPELINE THENCE TO EDMONTON. MAIN PURPOSE OF DEVELOPMENT WOULD BE TO RECEIVE AND TRANSPORT TO U.S. NORTHERN TIER STATES ALASKAN NORTH SLOPE CRUDE OIL, AS WELL AS TO SERVICE EVENTUAL B.C. CRUDE IMPORTS FROM INDOENSIA/ PERSIAN GULF. TRANS MOUNTAIN, CONSORTIUM OF 10 U.S. AND CANADIAN COMPANIES, HAS NOT YET MADE FORMAL APPLICATION TO NATIONAL ENERGY BOARD BUT EXPECTED DO SO AT END YEAR. PROPOSAL ENVISAGES TANKER ROUTE TO KITIMATE
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EITHER VIA DIXON ENTRANCE OR SOUTH OF QUEEN CHARLOTTE

ISLADS, THENCE UP THE FJORD-LIKE WHALE AND DOUGLAS CHANNELS TO KITIMAT. ROBINSON ADVISES THAT TRANSPORTATION RIGHTS OF WAY (FOR GAS PIPELINES AND RAILWAYS) ALREADY EXIST FOR ALMOST ENTIRE ROUTE FROM KITIMAT TO EDMONTON WHICH COULD BE UTILIZED FOR OIL PIPELINE.

3. AT VICTORIA MEETING WERE REPS OF ENVIRONMENT CANADA, TRANSPORT CANADA, EXTERNAL AFFAIRS, NEB, ENERGY, MINES AND RESOURCES AND THEIR B.C. PROVINCIAL COUNTER-PARTS. MEETING WAS PRELIMINARY AND EXPLORATORY IN NATURE, WITH NO FIRM AGENCY POSITIONS SURFACING, THOUGH BOTH B.C. AND FEDERAL ENVIRONMENT REPS HAD MORE RESERVATIONS THAN OTHERS PRESENT. EVEN ENVIRONMENT REPS FOUND KITIMAT PROPOSAL MUCH SUPERIOR TO EARLIER PROPOSED PRINCE RUPERT TERMINAL, SINCE KITIMAT AREA PRESENTS LESS LIKELIHOOD OF FISHERIES DISRUPTIONS AND PRINCE RUPERT HAS NO EXISTING TRANSPORTATION RIGHTS OF WAY TO EDMONTON. MEETING WAS LARGELY INCONCLUSIVE, GIVEN UNABILITY TO DATE OF DETAILS OF PROPOSAL, THOUGH GENERAL UNDERSTANDING WAS REACHED CONCERNING JOINT ALL-AGENCY FEDERAL-PROVINCIAL APPROACH TO AN EVENTUAL ENVIRONMENTAL ASSESSMENT.

4. ROBINSON SAID THAT, BY ITSELF, KITIMAT PROPOSAL REPRESENTS CLEAR ENVIRONMENTAL DISBENEFITS WHICH MAY OR MAY NOT BE OFFSET BY OTHER ADVANTAGES, E.G. ECONOMIC BENEFITS, POLITICAL BENEFIT OF SOLVING U.S. NORTHERN TIER CRUDE SUPPLY PROBLEM. HE FELT THAT ATTITUDE OF ENVIRONMENTALISTS WOULD BE QUITE DIFFERENT, HOWEVER, IF KITIMAT PROPOSAL WERE LINKED WITH A LIMITATION ON TANKER SIZE IN JUAN DE FUCA STRAITS/PUGET SOUND. ROBINSON UNDERSTANDS THAT THE EXISTING WASHINGTON STATE LEGISLATION LIMITING TANKER SIZE TO 120,000 TONS IS NOW BEING TESTED IN COURT BUT HE ASSUMES THAT IF WASHINGTON STATE LOSES THAT TEST, A FEDERALLY-IMPOSED LIMITATION WOULD BE LESS VULNERABLE TO COURT CHALLENGE. HE ALSO UNDERSTANDS THAT THERE WOULD BE OPPOSITION TO THE TRADE-OFF OF KITIMAT FOR A PUGET SOUND TANKER LIMITATION FROM ATLANTIC RICHFIELD SINCE THEIR REFINERY AT CHERRY POINT IS UNABLE PROCESS "SOUR" ALASKAN CRUDE WHILE THE "SWEET" CRUDE THEY IMPORT FROM INDOENSIA/PERSIAN GULF

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WOULD OBVIOUSLY BE MORE EXPENSIVE FOR THEM COMING VIA KITIMAT/EDMONTON THAN DIRECTLY INTO CHERRY POINT. ANOTHER SOURCE OF OPPOSITION WOULD PRESUMABLY BE THE PROPONENTS OF THE NORTHERN TIER PIPELINE, WHICH IS APPARENTLY STILL BEING ADVOCATED DESPITE THE RIGHT-OF-WAY DIFFICULTIES IN ITS PATH.

5. COMMENT: IT WOULD PERHAPS BE UNCHARITABLE TO

OBSERVE THAT CANADIAN OPPOSITION TO ENVIRONMENTAL RISKS
RESULTING FROM DEVELOPMENT TENDS TO FADE WHEN THE
RELATED ECONOMIC BENEFITS ACCRUE TO CANADA RATHER THAN
TO THE U.S. (TANKER TRAFFIC INTO PUGET SOUND AND THROUGH
HEAD HARBOR PASSAGE TO U.S. SHORE FACILITIES IS UN-
ACCEPTABLE, BUT TANKER TRAFFIC TO CANADIAN SHORE
FACILITIES IN KITIMAT OR NOVA SCOTIA IS OK). BE THAT
AS IT MAY, ROBINSON'S IDEA OF A TRADE-OFF BETWEEN
KITIMAT AND PUGET SOUND, PRESUMABLY VIA A TREATY, WOULD
SEEM TO MERIT SOME THOUGHT AS REPRESENTING A POSSIBLE
MEANS FOR RESOLVING BOTH THE NAGGING WEST
COAST TANKER PROBLEM AND THE PROBLEM OF CRUDE SUPPLY
TO NORTHERN TIER STATES.
ENDERS

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